

THE TEACHERS' RETIREMENT BOARD

MEMBER	TERM EXPIRES
TIM RYAN Public Member, Bigfork	July 1, 2009
JAMES TURCOTTE Public Member, Helena	July 1, 2010
DARRELL LAYMAN Retired Member, Glendive	July 1, 2006
MONA BILDEN Active Member, Miles City	July 1, 2006
KARI PEIFFER Active Classroom Teacher, Kalispell	July 1, 2007
SCOTT DUBBS Active Member, Lewistown	July 1, 2008

ADMINISTRATIVE OFFICERS

DAVID L. SENN	Executive Director
TAMMY RAU	Deputy Executive Director
Montana TRS web site	http://www.trs.mt.gov

STATE AGENCIES SERVING SCHOOL PERSONNEL

Office of Public Instruction, Teaching Certification	406 444-3150
Montana Teacher Placement web site	http://www.metnet.state.mt.us

MISSION STATEMENT

To promote long-term financial security for our membership while maintaining the stability of the fund.

FOREWORD

State law established the Montana Teachers' Retirement System (TRS) in 1937. The system has grown from its initial enrollment of 3,367 members to over 18,200 active members, and now has assets in excess of \$2.5 billion. Approximately 10,500 members and beneficiaries receive retirement, disability, survivor, or minor child benefits in excess of \$170 million each year.

The TRS is a "Defined Benefit Plan" qualified under Internal Revenue Code (IRC) 401(a). As a "Defined Benefit Plan" monthly benefits are calculated based on the member's total years of service credit and average final compensation, not their account balance.

An actuarial valuation of the retirement system is performed annually, as of July 1st of each year. The purpose of the valuation is to determine the financial position of the fund, the normal cost, and the unfunded actuarial accrued liability based upon present and prospective assets and liabilities of the system.

DISCLAIMER

As much as possible, this Summary of Information has been written in non-technical terms, avoiding the formal language of the retirement laws and administrative rules. If questions of interpretation arise as a result of the attempt to make the retirement provisions easy to understand, Title, 19, Chapter 20, Montana Code Annotated (MCA), remains the final authority. The information provided in this summary is based on the TRS laws and rules. Many factors may affect the information in this summary, including future changes in law and/or administrative rules.

Representatives from school districts, the university system and state agencies participating in the TRS are not agents of the retirement system. The TRS is not responsible for erroneous information provided by these employers or their employees.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT OF 1992 ALTERNATIVE ACCESSIBLE FORMATS OF THIS DOCUMENT WILL BE PROVIDED UPON REQUEST
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COMMUNICATING WITH THE TRS

WRITING TO THE TRS

- Include your full name, Social Security Number and home mailing address on your written request for information or action.
- Sign any request for information or action; and
- Mail your request to:
Teachers' Retirement System
P O Box 200139
Helena, MT 59620-0139
- If you are reporting a death, please include the member's name and Social Security Number.

USE OF SOCIAL SECURITY NUMBERS

- The TRS will use your Social Security Number to ensure that any amounts disbursed under your account are properly reported to the Internal Revenue Service (IRS) and as a reference number for tracking all data with regard to your retirement account.
- IRC Sections 6041 (A), and 6109 authorize the TRS to solicit your Social Security Number.
- The disclosure of your Social Security Number to the TRS is mandatory.

VISITING THE TRS OFFICE

We request that a member planning to visit the TRS office call ahead to schedule an appointment. This will enable the TRS staff to review the member's personal records and prepare for the visit.

Office Location: Teachers' Retirement System Building
1500 East Sixth Avenue
Two Blocks East of the Montana State Capital, on the
corner of Sixth Avenue and Sanders Street
(See "How to Find the TRS Building" on the inside cover)

Appointment Hours: 9:00 a.m. to 4:00 p.m. Monday through Friday

INTERNET ACCESS TO THE TRS

Information regarding the TRS may be obtained by logging on to our web site at <http://www.trs.mt.gov>. This web site contains information relative to active members, benefit recipients, school business officials and attorneys.

CALLING THE TRS

The TRS office opens at 8:00 a.m. and closes at 5:00 p.m. (except for state recognized holidays), with a limited staff working during the noon hour. When calling the TRS office, be sure to ask for the proper section. Please have your Social Security Number ready. The functions handled by each section are described as follows:

ACTIVE SECTION

Statement of Account Questions	Purchase of Service/Roll-Over
Re-Deposit of Withdrawn MT TRS Service	Service Credit and Vesting
Account Balance Information	Transfer of Service TRS and PERS
Estimate of Benefits	Retirement Benefit Options
Retirement Planning Questions	Retirement Application Materials
Legislative Updates	Summary of Information Handbook
Beneficiary Designation and Update	Name Change

RETIREMENT SECTION

Beneficiary Designations for Retirees	Guaranteed Annual Benefit Adjustment
Survivor Benefits and Minor Child Benefits	Tax Excludable Information
Federal Income Tax Withholding	1099-R for Benefit Recipients
Montana State Income Tax Withholding	Withholding of Group Insurance Premiums
Change of Beneficiary Due to Death or Divorce	Name Changes for Benefit Recipients
Address Changes for Benefit Recipients	Post Retirement Earnings Limitations
Return to Full-Time Teaching Questions	Direct Deposit Bank Setup/Changes
New Legislation affecting Retired Members	

REFUND SECTION

Refunds	1099-R for Lump Sum Distributions
Account Balance Roll Over	Federal Income Tax Withholding
Tax Excludable Information	

RELEASE OF INFORMATION

Most retirement and benefit information is confidential and may only be released to the member, benefit recipient, or an authorized person.

The TRS receives requests for information from banks, accountants, attorneys, spouses and other interested parties. Even though most requests are made on behalf of the member or benefit recipient, state law prohibits the release of any confidential information unless the member consents in writing, or we are otherwise required to release the information. All requests to release information to another individual must be made in writing and signed by the member or benefit recipient.

To authorize the release of information, a member or benefit recipient must contact the TRS to request the "Authorization for Release of Information Form". The form is also available on the TRS web site at <http://www.trs.mt.gov>.

SECTION I - ADMINISTRATION

THE TRS BOARD

The TRS Board is composed of six members, four members are appointed from the teaching profession, of which one must be an active classroom teacher and one a retired member, and two members are appointed as representatives of the public sector. (Ref: §2-15-1010, MCA) The board employs administrative officers and a staff to conduct the business of the system. The board typically meets in Helena on the first Friday following Labor Day, the third Friday of November and February, and the second Friday of May.

The powers and duties of the retirement board are as follows:

- Keep a record of all its proceedings, which shall be open to public inspection.
- Publish an annual report by January 1st of each year in which the Legislature meets. This report provides, in detail, the fiscal transactions for the two fiscal years immediately preceding the report due date, the amount of accumulated cash and securities of the TRS, and the last fiscal year balance sheet showing the assets and liabilities of the TRS.
- Designate an actuary to assist the TRS Board with the technical actuarial aspects of the TRS, which includes establishing mortality and service tables and making an actuarial investigation at least once every six years into the mortality, service, and compensation experience of the members and beneficiaries of the TRS.
- Determine the eligibility of a person to become a member of the TRS.
- Adopt policies for the determination of creditable service in the TRS.
- Grant retirement, disability, survivor, minor child and other benefits.
- Perform other duties and functions as are required to properly administer and operate the TRS.

INVESTMENTS

The State Board of Investments invests the funds of the system in various securities as permitted by law. These investments are segregated from other state funds. The Treasury Division of the Department of Administration is the custodian of the securities owned by the TRS. For more information regarding the Board of Investments, please visit their web site: www.investmentmt.com

APPEALS PROCESS

If a member wishes to appeal a TRS staff determination, he/she must notify the TRS Board in writing. The appeal process is as follows:

- (1) The member's petition to the TRS Board together with any written documents he/she may wish the board to consider must be submitted to the TRS office at least thirty days prior to a scheduled board meeting. This information, together with a summary of the issues, will be sent to board members for review prior to the meeting.
- (2) If the board's decision is adverse, that decision may be formally appealed and reviewed by a hearing examiner under the Montana Administrative Procedures Act. The proposed decision of the hearing examiner is subject to approval by the board. An adverse decision by the TRS Board may be appealed to district court.

TRANSFER OF AN INACTIVE NON-VESTED MEMBER'S ACCOUNT

An inactive TRS member with less than 5 years of service may leave their account balance on deposit with the TRS for a period of seven years. After seven years, the account will be deemed dormant and removed from the active member database until claimed by the member.

FEDERAL COMPLIANCE ISSUES – QUALIFIED PLANS

Under Section 415(c) of the IRC, a TRS member's post-tax contribution to purchase additional service may be limited. These limits may interfere with an employee's right under the state law to purchase the entire amount of service credit for which they are eligible.

Also, under Section 415(c), post-tax contributions remitted on termination pay may be limited, which would reduce the amount of termination pay that may be included in the calculation of benefits. Under state law, the member has the right to elect to include termination pay in the calculation of AFC. If the member elects to do so, both the member and the employer must pay a share of the full actuarial cost to fund the benefit enhancement. Again, if the member's post-tax contributions exceed the 415(c) limits, benefits will be reduced.

The good news is that members may elect to purchase service or to contribute on termination pay using tax-deferred dollars, which are **not** subject to the Section 415(c) limits. See Pages 20 and 37 for an explanation of the tax-deferred options available and the rules governing these elections, or contact the TRS for additional information regarding 415(c) limits.

DEFINITIONS

For the purpose of this summary, the following definitions apply:

"Accumulated contributions" means the sum of the employee's contributions on deposit with the retirement system together with interest.

"Administrative officer" means an employee who has a significant degree of executive or policy-making authority and whose appointments are based on required training or experience in the field of education.

"Average final compensation" means the average of a member's earned compensation during the three consecutive years of full-time service that would yield the highest average and on which contributions have been remitted.

"Beneficiary" means one or more primary and/or contingent persons formally designated in writing by a member and on file with the TRS to receive a retirement allowance or payment upon the member's death.

"Board" or **"retirement board"** means the Teachers' Retirement Board as provided for in §2-15-1010, MCA.

"Cost-Basis" or **"Investment in Contract"** means the employee's contribution in a member's account on which taxes have already been paid.

"Creditable service" means each year of service for which contributions to the TRS were deducted from a member's compensation and remain on deposit with the TRS. Any out-of-state employment service; service while on leave; service in the military; private teaching service; service for Montana extension service employment; service transferred from the Montana Public Employees' Retirement System (PERS); or any service due to employment-related injury, and for which payment has been finalized will also be considered creditable service.

"Earned compensation" means remuneration exclusive of maintenance, allowance, and expenses paid for services by a member out of funds controlled by an employer, before any pre-tax deductions allowed under the IRC are deducted from the member's compensation. (See "Earned Compensation" on Page 16)

"Fiscal Year" means July 1st through June 30th.

"Full-time service" means service which is full-time and which extends over a normal fiscal year of at least nine months or 180 full-time days in any one fiscal year.

"Instructional services capacity" means the education and instruction of students in the regular curriculum of the institution, or to take part in the curriculum development and/or administration of instructional services.

"Limitation Year" for the purpose of Section 415 of the IRC is September 1st through August 31st. Compensation earned during this period will be used to determine the maximum contribution that may be allowed under Section 415.

"Membership service" means the periods of employment that would entitle the person to active membership in the retirement system on which contributions have been reported and remain on deposit.

"Part-time service" means service of less than full-time. Part-time service shall be credited in the proportion that the actual time worked compares to full-time service.

"Part-time teacher's aide" means an individual who works less than seven hours per day assisting a certified teacher in a classroom.

"Retired Member," means a person who has terminated all employment that is eligible for membership under the TRS and who has received at least one monthly retirement benefit.

"Service credits" means the number of years credited to a member's account for which contributions have been received as required by statute or rule.

"School term," means the fiscal year July 1st through June 30th.

"Service" means the performance of instructional duties or related activities that would entitle the person to active membership in the TRS.

"Termination" or **"terminate"** means that the member has severed the employment relationship with the member's employer and that all, if any, payments due upon termination of employment, including but not limited to early retirement incentives, accrued sick and annual leave balances, have been paid to the member.

"Termination pay" means any form of bona fide vacation and/or sick leave, severance pay, amounts provided under a window or early retirement incentive plan or other payments paid at the time of retirement and termination of employment and on which employee and employer contributions will be paid.

"Vested" means that a member has been credited with at least 5 full years of membership service upon which contributions have been made, and has a right to a future retirement benefit.

SECTION II - MEMBERSHIP – GENERAL PROVISIONS

ACTIVE MEMBERSHIP

Generally, persons employed for at least 210 hours during the school year as teachers, principals, vice-principals, district superintendents, county superintendents of schools, librarians, coaches, teacher's aides, speech therapists, school nurses, school psychologists, guidance counselors and others employed in a teaching or professional position of any public school, state agency or special education cooperative in the State of Montana, must become members of the TRS. Any person hired into the position of school district clerk or business official may not become a member of the TRS.

Retired members elected to the position of county superintendent or appointed to complete the term of an elected county superintendent after July 1, 1995, may elect to be reinstated as an active member of the system. In addition, elected county superintendents are excluded from electing to participate in the Montana PERS.

Membership also applies to any person employed in the office of, or by, the State Superintendent of Public Instruction in a position who has a significant degree of executive or policy-making authority and whose appointment is based on required training or experience in the field of education.

Membership applies to the university faculty members who were members of TRS prior to July 1, 1993, and College of Technology staff who were members prior to July 1, 1995.

The TRS does not require certification as a condition for membership. Positions of an instructional nature are eligible for membership with the TRS. The TRS Board determines eligibility for membership. (Ref: §19-20-205, MCA)

MEMBERSHIP OF PART-TIME EMPLOYEES

A part-time employee, in an instructional service capacity for more than 210 hours during a fiscal year is required to be a member of the TRS beginning on the first day of employment in each fiscal year. A part-time employee **cannot** be a member if his/her employment is less than 210 hours. However, once a part-time employee becomes a member, they **must** continue to be a member each successive fiscal year while employed in a TRS covered position regardless of the number days or hours worked.

MEMBERSHIP OF SUBSTITUTE TEACHERS AND PART-TIME TEACHERS' AIDES

A substitute teacher or a part-time teacher's aide must make a written election to be a member of the TRS on his/her first day of employment. The employer must retain the election form. However, once a substitute teacher or part-time teacher's aide elects to become a member, they **must** continue to be a member each successive fiscal year while employed as a substitute teacher or part-time teacher's aide.

If a substitute teacher or part-time teacher's aide does not elect to be a member of the TRS on his/her first day of employment, they **must** become a member after completing 30 days or 210 hours of employment in any fiscal year. They will then be required to continue to be a member in each successive fiscal year while employed as a substitute teacher or part-time teacher's aide, even if they are employed for only one day.

A substitute teacher or part-time teacher's aide who did not elect membership and subsequently becomes a member may purchase creditable service for the first 30 days or 210 hours of substitute teaching or part-time teacher's aide service. To qualify this service, the member must contribute an amount equal to the combined employee-employer contribution rate that would have been made if the substitute teacher or part-time teacher's aide had elected membership on the first day of employment. In addition, interest will be charged at the actuarially assumed rate. (Ref: §19-20-302 & §19-20-417, MCA)

NOTE: A part-time teacher's aide is defined as an individual who works less than seven hours per day assisting a certified teacher in a classroom.

BENEFICIARY OF RECORD

Beneficiary information is critical in the event of the member's death. The recipient of any survivor benefit will be the beneficiary of record on file with the TRS. A member may wish to designate two or more persons to share equally as joint primary or joint contingent beneficiaries. Upon the death of an active, or an inactive vested member, each primary beneficiary designated will be entitled to his/her portion of any survivor benefits payable.

If a member has a change of beneficiary, they must make sure the proper designation is made on a "Beneficiary Designation Form" provided by the TRS. The "Beneficiary Designation Form" is available at <http://www.trs.mt.gov>. The current primary beneficiary(s) is printed each year on the member's annual statement of account and also can be found when you logon to the Benefit Estimate System, at: <http://www.trs.mt.gov/members.htm>. If the member is unsure of their primary and/or contingent beneficiary(s) designation, they may check with the TRS.

DEATH OF MEMBER OR BENEFICIARY

Upon the death of a member or beneficiary, the TRS must be notified immediately to ensure correct benefits are paid in a timely manner. If the member is retired, it may be necessary to adjust or stop the monthly benefit to prevent any overpayment that may occur, based upon the optional form elected at the time of retirement.

DIVORCE OF MEMBER AND BENEFICIARY

All TRS members, active or retired, involved in a divorce proceeding should contact the TRS immediately. For more complete information, please refer to "Family Law Orders" on Page 40, or on the TRS web site at: http://www.trs.mt.gov/family_law_orders.htm.

CONTRIBUTIONS

EMPLOYEE CONTRIBUTION RATE

Employee contributions are withheld from the member's gross pay and are **not** subject to state or federal income tax withholding, until actually received in the form of a refund or a monthly benefit.

TRS members are currently required to contribute 7.15% of their gross monthly salary before any other deductions are made. (Ref: §19-20-602, MCA) A member may elect to have contributions deducted from their salary for the purpose of purchasing additional creditable service and/or termination pay (paid at the time of termination and retirement) on a tax-deferred basis. The IRS has established specific rules, which must be followed before these elections are valid. See Pages 20 through 26 for an explanation of the service purchase options available and the rules governing these elections.

EMPLOYER CONTRIBUTION RATE

The employer contributions to the TRS are based on total payroll reported to the retirement system, currently at the rate of 7.47%. These are **not** matching contributions allocated to individual members, but are placed in the trust fund and, together with investment earnings, provide funding for retirement benefits, benefit enhancements, and amortization of the unfunded liability. (Ref: §19-20-605, MCA)

EARNED COMPENSATION

Earned compensation means remuneration, exclusive of maintenance, allowance, and expenses paid for services by a member out of funds controlled by an employer before any pre-tax deductions allowed under the IRC are deducted from the member's compensation.

Earned compensation does **not** include:

- (1) Direct or indirect employer premium payments on behalf of members for health or dependent care expense accounts or any employer contribution for health, medical, pharmaceutical, disability, life, vision, dental, or any other insurance.
- (2) Any employer payment or reimbursement for professional membership dues; maintenance; housing, day care, automobile, travel, lodging, entertaining expenses, or any similar payment for any form of maintenance, allowance, or expenses.
- (3) The imputed value of health, life, or disability insurance.
- (4) Any non-cash benefit provided by an employer to or on behalf of an employee.
- (5) Ticket-taking, bus driving or working concessions.

If the amounts identified in item 1 above have been converted by an employer to earned compensation for all members and have been continuously reported as earned compensation, in a like amount, for at least the 5 fiscal years preceding the member's retirement, the amounts may be included in the calculation of the Average Final Compensation (AFC). If these amounts have been reported to the TRS as earned compensation for fewer than 5 fiscal years or if the member has been given the option to have the amounts reported as earned compensation, any amounts reported in the three year period that constitute AFC must be included in AFC as if the payments were termination pay under Option 2.

For each member retiring, the employer must certify to the board that benefits converted to earned compensation and the amounts reported to the system in each of the 5 years preceding the member's retirement.

Adding an employer-paid or non-cash benefit to an employee's contract or subtracting the same or like amount as a pre-tax deduction is considered a fringe benefit and not earned compensation.

Earned compensation does **not** include lump-sum or monthly payments in respect to or in lieu of unused accumulated sick or annual leave, excess leave balance payments, and any sort of early retirement incentive severance payment contingent upon the employee terminating employment. In addition, earned compensation does **not** include incentives or bonuses paid to a member that are not part of a series of annual payments.

AVERAGE FINAL COMPENSATION

AFC means the average of a member's earned compensation during the three consecutive years of full-time service yielding the highest average and on which contributions have been made.

The AFC for a member employed on a part-time basis and had less than 3 consecutive years of full-time service during the 5 years preceding the member's retirement is the compensation that the member would have earned in the final 3 years had the member's part-time service been full-time service. To determine the compensation that the member would have earned, the compensation reported in each of the last three years must be divided by the part-time service credited to the member's account each year. (Ref: §19-20-805 (1), MCA)

CAUTION: Taking leave without pay during the period used in calculating "AFC" may result in a decrease in monthly retirement benefits.

10% STATUTORY LIMITATION

The earned compensation for each year used in calculating a member's AFC may not exceed either the member's actual earned compensation or earnings adjusted by this rule for the preceding year, by more than 10% except for increases that:

- (a) Result from collective bargaining agreements,
- (b) Have been granted by the employer to all other similarly situated employees. The employer must certify the similarly situated group of employees, the increase received by each employee, and the method for determining the increases, or
- (c) Result from compensation received for summer employment. Summer employment may not exceed one-ninth of the academic year contract for each full month or prorated for each portion of a month employed during the summer, or
- (d) Have resulted from a change of employer, or
- (e) Have resulted from re-employment for a period of not less than one full year following a break in service, or
- (f) Have resulted from a permanent promotion to an existing position with the same employer. The assignment of temporary duties or a new job added to existing duties, an acting appointment, a change in classification or title, or an increase in compensation received would not qualify as a promotion.

The member must provide adequate documentation to permit the TRS Board to make an informed decision concerning an exemption to the 10% limitation. Adequate documentation includes, but is not limited to, employment contracts or official minutes of board meetings. **NOTE: Promotions or the assignment of additional duties shall not be exempt from the 10% limitation.**

It is the intent of the 10% limitation to provide equitable benefits to all members based on their normal service and salary, and to limit the effect on the TRS of isolated salary increases received by selected individuals through promotions or one-time salary enhancements during their last years of employment.

Compensation in excess of the 10% limit may be included as if the excess were termination pay for the purpose of calculating the AFC.

INTEREST CREDITS AND CHARGES

Interest accrues on contributions that have been on deposit with the TRS for at least thirty days and is credited monthly to a member's account at the rate set annually by the TRS Board. The interest rate, as of July 1, 2005, is 4.00%. The TRS interest rate is not fixed by law but set each year by the TRS Board and can vary as the investment market changes. (Ref: §19-20-501, MCA)

SECTION III - QUALIFYING SERVICE

SERVICE CREDITS

MEMBERSHIP SERVICE

Membership service consists of all teaching service in Montana since 1937 for which contributions have been paid and which remain on deposit.

FULL-TIME SERVICE

"Full-time service" means full-time employment extending over a normal academic year of at least nine months in one fiscal year, July 1st through June 30th. A maximum of one year of creditable service shall be awarded for each fiscal year. (Ref: §19-20-101(8), MCA)

PART-TIME SERVICE

"Part-time service" means service that is less than full-time and shall be credited in the proportion that the actual time worked compares to full-time service. (Ref: §19-20-101(12), MCA) For example: A member who is employed in a 9-month position for 6 full months would receive 6/9 or .67 of a year service credit.

If part-time service is reported in error, service credit on the member's annual statement will be incorrect. Members who have been employed in a part-time capacity should review their annual statement and bring any discrepancies to the attention of the TRS. After verification is provided to the TRS, the service record will be corrected. Retirement benefits must be based on service upon which contributions were made. If service credit is overstated, service will be reduced when benefits are calculated.

VESTING

A member is vested in the TRS after the completion of 5 full-time years of membership service, or part-time service which totals the equivalent of 5 years of full-time service, and on which contributions have been paid. A vested member is entitled to retirement and disability benefits, if otherwise qualified. In addition, the designated beneficiary may be entitled to a survivor benefit.

If a member ceases to be employed in a position that would qualify for membership in the TRS, the vested status will be retained, provided the member's contributions are not withdrawn from the system. An annual statement will be mailed directly to the home address on file. Therefore, we ask that the member notify this office of any address change.

PURCHASING SERVICE

LIMIT ON CREDITABLE SERVICE WHICH MAY BE AWARDED

Those members joining the TRS on or after July 1, 1973, may not be awarded more than 5 years of creditable service in any combination of out-of-state service, federal service, military service, private school service, extension service or service while on leave.

PROCEDURE FOR THE PURCHASE OF SERVICE CREDIT

Creditable service may be obtained from several sources. Work history and the dates of employment in a position reported to the TRS will determine the types of service that a member may be eligible to purchase.

If a member is planning to purchase service, they should contact the TRS office as soon as possible. The purchase of service must be completed prior to the TRS processing the member's application for retirement. **NOTE: Do not wait until the year of termination to contact the TRS; this will leave you very little time to plan your retirement. Service may not be purchased after retirement.**

Each employer has the option of making available to the TRS members the opportunity to purchase service credit through payroll deduction with tax-deferred contributions. Before any member would be eligible to purchase service with tax-deferred dollars, the employer must adopt a Model Resolution that has been approved by the IRS. On the date the resolution is effective all additional payroll deductions reported to the TRS must terminate. The member must request from the TRS and return to his/her employer a signed "Service Purchase—Irrevocable Election Form".

A TRS member may purchase additional service by personal payment with post-taxed dollars. Post-tax additional contributions remitted to the TRS are subject to the IRC limits under Section 415(c). Section 415(c) may limit the amount of contributions that a member can make with post-tax dollars. (See "Federal Compliance Issues" on Page 10)

In the event of a member's death or disability while in the process of purchasing service credits, their additional service shall be credited based on the amount paid as of the date of their death or disability. However, in the case of death, the balance due may be paid from the member's estate. If the balance due is received prior to the payment of benefits, the additional service will be credited to the member's account and used in the calculation of monthly benefits.

ROLLOVER OF CONTRIBUTIONS TO PURCHASE SERVICE

Service credit in the TRS may be purchased through a rollover from another public retirement plan qualified under Section 401(a) or 401(k) of the IRC, a 403(b) tax-sheltered annuity, or a governmental 457(b) deferred compensation plan. A rollover may also be accepted from a traditional individual retirement account (IRA). If you wish to initiate a rollover for the purpose of purchasing service credit in the Montana TRS, please contact your qualified plan administrator for eligibility requirements.

To be eligible to rollover contributions into the TRS, a member must be vested and be eligible to purchase service in the TRS. The member must contact the TRS to obtain the cost of the service to be purchased and any necessary forms.

REPAYMENTS OF WITHDRAWALS

Upon reemployment in a position covered by TRS, a member who withdrew their contributions, may be eligible to redeposit the amounts withdrawn, plus interest, and receive credit for their prior service.

To be eligible to redeposit previously withdrawn service, a member must be an active, contributing member of the TRS, or an inactive vested member. Each withdrawal must be re-deposited before credit can be reinstated. Should the member have several withdrawals and only desire to redeposit a portion of the previous service, it is required that the member redeposit the most recent withdrawal first.

Should an eligible member desire to repay amounts previously withdrawn, they may write to the TRS office. The member will be notified, in writing, of the redeposit amount and the service that will be reinstated after completing payment. Interest will be charged from the date of each withdrawal or July 1, 1971, whichever is later.

TRANSFER OF MEMBERSHIP

(A) THE PERS TO THE TRS

If an active TRS member was a member of the Montana PERS prior to becoming a member of the TRS, they may, at any time before retirement, make a written election with the TRS to transfer their service from the PERS. Upon receipt of a written request to transfer their PERS service, their account balance under the PERS will be transferred to the TRS. If the PERS account has been withdrawn, they will be advised, in writing, of the cost to redeposit their PERS service under the TRS.

Service from the PERS may not be used to qualify for eligibility to purchase military service, out-of-state teaching service, service while on leave, or private teaching service under the TRS. The TRS Board shall determine the service credits that may be transferred.

If a TRS member has an inactive account on deposit with the PERS and dies before qualifying this service in the TRS, and the service credits from both systems, when combined, entitle the designated beneficiary to a monthly benefit, the TRS will pay a monthly benefit to the designated beneficiary provided the contributions necessary to qualify this service are transferred to the TRS.

If the TRS determines that membership was erroneously classified under the PERS, the accumulated contributions and service must be transferred to the TRS. Any employee and employer contributions due plus interest, are the liability of the employee and the employing entity where the error occurred.

(B) THE TRS TO THE PERS

For information on transferring the TRS service to the PERS, please contact:

MONTANA PUBLIC EMPLOYEES' RETIREMENT ADMINISTRATION
P O Box 200131
Helena, MT 59620-0131
406 444-3154

OUT-OF-STATE TEACHING SERVICE

A member with 5 or more years of creditable service in the TRS may purchase creditable service for out-of-state teaching service performed within the United States and its territories or possessions that would have been acceptable if the service had been performed in Montana. A member may also be eligible under certain circumstances to qualify teaching service performed outside the United States.

To obtain verification of previous work experience, a member may contact the TRS office to request the "Verification of Service Form". The form is also available on the TRS web site at <http://www.trs.mt.gov>.

If a member contributed to a public retirement plan other than Social Security while performing the out-of-state service, they must receive a refund of their contributions from the other state before qualifying this service in Montana, or rollover the out-of-state public retirement account. They may **not** purchase out-of-state service if they are receiving credit for the same service in another state.

Please note, research assistants and graduate student teaching service do not qualify under the Montana TRS.

SERVICE WHILE ON LEAVE

If a member has 5 years or more of creditable service in the TRS, he/she may apply for up to two years of creditable service for a break in service, conditional upon having been a member prior to the leave and upon completion of one full year of membership service in Montana subsequent to their return.

MILITARY SERVICE

If a member has 5 years or more of creditable service in the TRS, and has active duty service in the Army, Navy, Marine Corp, Air Force, or Coast Guard during the Korean or Vietnam Conflict, the member may submit a copy of their military papers indicating the date of entry into active duty and the date of separation. The member may receive up to four years of military service credit at no cost provided such active duty was performed between the following dates:

Korean Conflict - June 1, 1950 through January 31, 1955

Vietnam Conflict -December 22, 1961 through May 7, 1975

If the entry and separation dates of active military service do not meet the above conflict dates, the member may purchase up to two years of active military service. Also, see "Uniformed Services Employment & Re-employment Rights Act" (USERRA) on Page 24.

The date of entry to active duty and the date of separation from active duty are provided on Form DD-214 or a Retirement Credits Record. A copy of Form DD-214, or a Retirement Credits Record, may be obtained by calling 314-801-0800 or writing to the following address:

GENERAL SERVICES ADMINISTRATION
MILITARY NATIONAL PERSONNEL RECORDS CENTER
9700 Page Blvd.
St. Louis, MO 63132

To download the application to obtain a Form DD-214 you may contact the Military National Personnel Records Center at <http://www.nara.gov>.

Military service granted at no cost will appear on the member's annual statement of account under "Service Credit" as Military.

UNIFORMED SERVICES EMPLOYMENT AND RE-EMPLOYMENT RIGHTS ACT PROVISIONS

USERRA applies to persons who are called to active duty in the “Uniformed Services”, including service in the Army, Navy, Marine Corps, Air Force, Coast Guard, Public Health Service Commissioned Corps, as well as the reserve components of these services. In addition, training or service in the Army National Guard or the Air National Guard will also give rise to rights under USERRA. Uniformed Service includes active duty, active duty for training, inactive duty for training (such as drills), and initial active duty training, as well as the period for which a person is absent from a position of employment for the purpose of an examination to determine fitness to perform any such duty.

Retirement eligibility is not forfeited during a period of military service if the TRS member is re-employed within the limits established by USERRA. With limited exceptions, the maximum number of years that a member may purchase, if called to active duty, is 5 years. Members called to active duty are required to return to TRS covered employment at the end of their active duty if they serve less than thirty-one days, within fourteen days if they serve between thirty-one and 180 days, and no later than ninety days if they serve for 181 or more days. These limits may be extended for up to two years for persons with service-connected injuries or illnesses.

If the re-employed TRS member elects to purchase service credit for their period of uniformed service, they must pay the contributions that would have been made had they not been absent. If the employee’s contributions are paid within one year following re-employment, interest will be waived. The employer is liable for any employer contributions due during the period of uniformed service, plus interest. Members called to active duty must contact the TRS upon their return and re-employment in a position covered under the TRS.

USERRA does not apply to state call-ups of the National Guard for disaster relief, riots, etc. However, it does apply to federal law call-ups of the National Guard.

PRIVATE SCHOOL EMPLOYMENT

A member may apply to purchase creditable service for teaching in a private elementary, secondary, post-secondary educational institution, or special purpose school. For the purpose of this section, the term "educational institution" means an institution or school that normally maintains a regular faculty and curriculum and normally has a regular organized body of students in attendance at the place where its educational activities are carried on and has been accredited by either the state in which it operates or a recognized association. A school or other function operated in a private home will not be considered an "educational institution".

A member applying to purchase private teaching service must have been in compliance with the certification requirements of the state (or federal agency) in which the institution was located at the time the service was performed.

A member of the TRS, who has been credited with 5 full years of membership service with at least one full year following employment in a private elementary or post-secondary school, may purchase up to 5 years of private school employment provided the service was of an instructional nature or the member was an administrative officer or a member of the scientific staff.

To obtain verification of previous work experience, a member may contact the TRS office to request the "Verification of Service Form". The form is also available on the TRS web site at <http://www.trs.mt.gov>.

MONTANA UNIVERSITY OPTIONAL RETIREMENT PROGRAM SERVICE

Creditable service may be purchased in the TRS for service with the Montana university system covered under the Optional Retirement Program (ORP). A vested member, who has been credited with at least one full year following employment covered under the ORP, may purchase up to 5 years of creditable service. The cost to purchase this service will be the actuarial cost as of the most recent actuarial valuation.

To obtain verification of previous work experience, a member may contact the TRS office to request the "Verification of Service Form". The form is also available on the TRS web site at <http://www.trs.mt.gov>.

Contributions withheld and contributed to the ORP must have been refunded to the participating member, or they may be rolled over to the TRS toward the cost to purchase the service.

WORKERS' COMPENSATION

A member of the TRS, who was injured while employed in a position covered under the TRS, may purchase time lost, which is covered under Workers' Compensation, after their return to work. The maximum time they may purchase is two years.

SUBSTITUTE TEACHING, PART-TIME TEACHER'S AIDE SERVICE

A substitute teacher or part-time teacher's aide, who did not elect membership on the first day of their employment and who subsequently became a member, may purchase the days not reported and receive credit for this service. To be eligible to qualify this service, they must be an active, contributing member of the TRS. The employer must verify the days worked and gross wages earned.

To obtain verification of previous work experience, a member may contact the TRS office to request the "Verification of Substitute Teaching or Teachers' Aide Service" form. The form is also available on the TRS web site at <http://www.trs.mt.gov>.

SECTION IV - RETIREMENT BENEFITS

EFFECTIVE RETIREMENT DATE

The effective date of retirement will normally be the first of the month following a member's date of termination. A member terminating employment before attaining 25 years of service may delay receipt of benefits until their 50th birthday (early retirement), or until their 60th birthday (normal retirement), or until any date in between.

TERMINATION

Eligibility for retirement is dependent on a member terminating **all** TRS covered employment with their employer(s). Termination means that the member has severed the employment relationship with their employer(s) and that all, if any, payments due upon termination of employment, including but not limited to accrued sick and annual leave balances, have been paid to them. Members employed by a K-12 employer who leave their employment for a full-time TRS covered position in the University System and elect to participate in the ORP in lieu of participating in TRS, will be considered an inactive member not eligible to apply for TRS retirement benefits.

ELIGIBILITY FOR RETIREMENT BENEFITS

If a member has terminated their TRS covered employment in Montana, they may apply for retirement benefits provided: (1) The member has attained age 60 with at least 5 full years of creditable service, or; (2) The member has been credited with 25 or more years of creditable service, in which case they are eligible for full retirement regardless of age, or; (3) The member has part-time service in 25 or more fiscal years, in which case they are eligible for a regular retirement regardless of age, or; (4) The member has at least 5 years of creditable service and has attained the age of 50 (early retirement).

If a member has at least 5 full years of creditable service but fewer than 25 years, they may retire as early as age 50 with a reduced benefit. The reduction is one-half of one percent (0.5%) for each of the first 60 months their retirement date precedes age 60 or 25 years of service, and three-tenths of one percent (0.3%) for each month in excess of the first 60 months their early retirement precedes age 60 or 25 years of service. (Ref: §19-20-801 and §19-20-802, MCA)

For example: A member who retires at age 50 with 23 years of service would have their benefits reduced 12% (25 years minus 23 years = 2 years or 24 months x .005 or 12%). A member who retires at age 50 with 10 years of service would realize a reduction of 48%. (Age 60 minus age 50 = 10 years or 120 months (First 60 months x .005 = 30%; second 60 months x .003 = 18%. Reduction = 48%).

The formula for determining retirement benefits can be stated as follows:

$$\text{Years of Service} \times \text{Average Final Compensation} \times 1.6667\% = \text{Annual Benefit}$$

Distribution of a member's benefit must begin by the later of the first of the month following the month in which a member attains age 70 ½ if the member is an inactive vested member, or the first of the month following termination if the member is employed past age 70 ½. If a member fails to apply for retirement benefits by the later of either of those dates, the TRS must, under federal law, begin distribution of the monthly benefits under the 10 Year Certain & Life Option. The Period Certain & Life options are explained on Page 35.

PRE-RETIREMENT PLANNING

Retirement planning requires an understanding of the TRS. A member needs adequate time to become informed regarding all the choices to be made when formally applying for his/her monthly retirement benefit. The TRS has three methods available to begin the pre-retirement planning process.

- (1) An estimate of benefits on-line, via the TRS web site, will enable a member to begin retirement planning 1, 2, 3, 4, 5 or more years prior to his/her anticipated retirement date.

To access the web system, navigate to the TRS web site at: <http://www.trs.mt.gov/members.htm>. Select the 'Benefit Estimates On-line' link. If this is the first time using the system, click on 'Create an Account'.

- Enter the requested sign-up information. This information must match the information on file with the TRS in order to gain access.
- Complete the requested information. The member may choose to use his/her SSN as their logon ID or have the system generate a unique ID. TRS prefers the member use a system generated unique ID.
- The TRS staff will provide the member's USER ID, via E-Mail. Please confirm that the TRS has the correct E-Mail address.

There is additional information/help available on the Estimate Sign-On screen using the 'User's Guide' link located on the menu.

Please Note: The on-line estimate program is for pre-retirement planning use and is not a substitute for contacting the TRS and requesting an estimate of retirement benefits and the retirement application packet.

- (2) Access the TRS web site at <http://www.trs.mt.gov> to print the 'Request For An Estimate of Benefits' form. This form must be mailed to the TRS to request an Estimate of Benefits.
- (3) Contact the TRS, as you get closer to your anticipated retirement date, to request an Estimate of Benefits. The TRS will request the following information be provided:
- Name & home mailing address.
 - Social Security Number.
 - Current and/or future fiscal year's salary and other compensation such as summer earnings.
 - The estimated dollar amount of anticipated termination pay.
 - Date of birth.
 - The name and date of birth of the beneficiary.
 - Date of termination. If termination is not at the end of the school year please provide the number of days to be completed during the school year.

A member, who would like to meet with a TRS Benefit Officer for assistance with pre-retirement planning, must call or write for an appointment and provide the information listed above prior to their visit.

RETIREMENT APPLICATION PROCEDURE

A member planning their retirement should contact the TRS, at least 6 months prior to their termination date, to request an updated Estimate of Benefits and the "Retirement Application Packet", which contains:

- An Application For Retirement Allowance
- The Federal and Montana income tax withholding forms
- The Electronic Deposit Form
- The Termination Pay Form

The "Retirement Application Packet" should be mailed to the TRS at least 60 days prior to termination, along with a copy of the following documents:

- The member's birth certificate; and, if they elect an option other than "Normal Form" or "Period Certain & Life", a copy of the beneficiary's birth certificate.
- The member's letter of resignation, as submitted to their employer.
- The member's final year contract(s).

DISABILITY RETIREMENT BENEFITS

ELIGIBILITY FOR DISABILITY RETIREMENT BENEFITS

If a member becomes disabled and cannot continue to perform the primary duties of his/her position covered under the TRS, they may be eligible for disability benefits provided:

- (1) The member has 5 or more years of creditable service in the TRS;
- (2) The member became disabled while an active contributing member of the TRS;
- (3) The member is declared physically or mentally incapacitated for the further performance of their duties, and their disability is likely to be permanent;
- (4) And, the TRS Board has approved the member's application for disability benefits.

The effective date of the member's disability benefit will be the first of the month following the date the member terminated their employment. (Ref: §19-20-901, MCA)

The minimum disability benefit will be the greater of:

- (1) One-fourth of a member's AFC; or the following formula:

Years of Service X Average Final Compensation X 1.6667% = Annual Disability Benefit

PROCEDURE TO APPLY FOR A DISABILITY RETIREMENT

The member, or their employer acting on their behalf, may apply for a disability retirement.

An application for disability benefits, an employer's report, and an applicant's physician statement are to be completed and returned, along with any physicians' notes that would assist the TRS Board or its representative in its assessment of the disability. A release of medical information, IRS and Montana tax withholding forms and an electronic deposit form will be provided.

The purpose of the employer's report is to ask the employer to submit, to the retirement system, a written statement of the difficulties observed in the performance of assigned job duties and to describe any accommodation(s) made by the employer.

The TRS Board normally meets in Helena on the first Friday following Labor Day, the third Friday of November and February, and the second Friday of May. All application materials should be submitted to the TRS upon completion, but at least thirty days prior to the next scheduled board Meeting. If the TRS Board decision is adverse, the member will be contacted by the TRS staff and advised of the appeals process.

MEDICAL EXAMINATION/EARNINGS STATEMENT

Once each year during the first 5 years following disability retirement and once in every three-year period thereafter, until the member attains the age of 60, a disability retiree is required to submit a **current** Physician's Certification of Continued Disability. The disability retiree is also required to submit an earnings statement annually until they attain the age of 60. (Ref: §19-20-903, MCA)

CANCELLATION OF DISABILITY BENEFITS

The TRS Board may cancel a disability retirement for any of the following reasons:

(1) The board determines that a disabled retiree is no longer incapacitated for the performance of the essential elements of the position they held when they retired.

(2) If a disabled retiree is employed full-time in a capacity that would otherwise meet the eligibility requirements of active membership in TRS, the retiree's retirement allowance **must** cease. A retiree employed full-time in a position covered under TRS shall again become an active member of the TRS.

If the disabled retiree is restored to active membership on or after the attainment of age 55, the member's retirement allowance upon subsequent retirement may not exceed the retirement allowance that the member would have received had the member remained in service during the period of the member's disability retirement or the sum of the retirement allowance that the member was receiving immediately prior to the member's last restoration to service and the retirement allowance that the member would have received on account of the member's service since the member's last restoration had the member entered service at that time as a new member.

(3) A disabled retiree fails to submit a **current** physician's certification of continued disability statement, as requested by the TRS Board.

(4) A disabled retiree fails to submit an annual gross earnings statement as required by the TRS Board. (Ref: §19-20-903, §19-20-904 and §19-20-905, MCA)

A retiree whose disability retirement benefit is canceled because the board has determined that they are no longer incapacitated, must be given preference by their former employer for the position held at the time of retirement or for a comparable position that becomes available within one year of cancellation of the retiree's disability retirement.

EARNINGS AFTER DISABILITY RETIREMENT

A disabled retiree may return to employment, including self-employment, provided the combined disability benefit and earnings **do not** exceed the greater of their AFC or the median salary of those members retired during the preceding fiscal year. Should their earnings and disability benefits exceed the maximum allowable under the law, their disability benefit will be reduced so that the combination of earnings and disability benefits does not exceed the maximum they are eligible to earn. (Ref: §19-20-904, MCA)

DEATH, SURVIVOR & MINOR CHILD BENEFITS

DEATH BENEFITS

The designated beneficiary of a retired member is entitled to receive a one-time \$500.00 death benefit. If the TRS does not have a valid beneficiary form on file at the time of the member's death, this death benefit will be paid to the member's estate.

SURVIVOR BENEFITS

If a member dies before retiring, their designated beneficiary may elect to receive a lump sum refund of the member's personal contributions plus interest.

If a member has at least 5 full years of membership service at the time of their death, the designated beneficiary(s) may elect to receive a monthly survivor's benefit in lieu of the lump sum refund of the member's account balance.

The effective date of a monthly survivor benefit will be the first of the month following the member's date of death. This benefit will be payable during the beneficiary's lifetime and cease **only** upon the beneficiary's death. No optional forms are available.

If a member is vested in the TRS, and was employed within one year prior to their death, the designated beneficiary is entitled to receive a one-time \$500.00 death benefit in addition to all other benefits payable. Upon the member's death, the TRS should be notified immediately and the proper forms for applying for the survivor benefit will be sent to the designated beneficiary.

MINOR CHILD BENEFITS

In addition to the benefits outlined above, upon the death of a vested member who was an active member within one year of the date of their death, or upon the death of a retired member, any minor children will be entitled to receive a minor child benefit of \$200.00 per month. Minor child benefits will be paid through the month in which the minor child attains age 18.

ILLUSTRATION OF MONTHLY BENEFITS

NORMAL FORM BENEFIT- AGE 60 OR ANY AGE WITH 25 YEARS OF SERVICE

YEARS OF SERV.	1,000	20,000	22,000	24,000	26,000	28,000	30,000	32,000	34,000	36,000	38,000	40,000
5	6.94	138.89	152.78	166.67	180.56	194.44	208.33	222.22	236.11	250.00	263.89	277.78
10	13.89	277.78	305.56	333.33	361.11	388.88	416.67	444.44	472.22	500.00	527.78	555.55
11	15.28	305.56	336.11	366.67	397.22	427.78	458.33	488.89	519.44	550.00	580.56	611.11
12	16.67	333.33	366.67	400.00	433.33	466.67	500.00	533.33	566.67	600.00	633.33	666.67
13	18.06	361.11	397.22	433.33	469.44	505.56	541.67	577.78	613.89	650.00	686.11	722.22
14	19.44	388.89	427.78	466.67	505.56	544.44	583.33	622.22	661.11	700.00	738.89	777.78
15	20.83	416.67	458.33	500.00	541.67	583.33	625.00	666.67	708.33	750.00	791.67	833.33
16	22.22	444.44	488.89	533.33	577.78	622.22	666.67	711.11	755.56	800.00	844.44	888.89
17	23.61	472.22	519.44	566.67	613.89	661.11	708.33	755.56	802.78	850.00	897.22	944.44
18	25.00	500.00	550.00	600.00	650.00	700.00	750.00	800.00	850.00	900.00	950.00	1000.00
19	26.39	527.78	580.56	633.33	686.11	738.89	791.67	844.44	897.22	950.00	1002.77	1055.55
20	27.78	555.56	611.11	666.67	722.22	777.78	833.33	888.89	944.44	1000.00	1055.56	1111.11
21	29.17	583.33	641.67	700.00	758.33	816.67	875.00	933.33	991.67	1050.00	1108.33	1166.67
22	30.56	611.11	672.22	733.33	794.44	855.56	916.67	977.78	1038.89	1100.00	1161.11	1222.22
23	31.94	638.89	702.78	766.67	830.56	894.44	958.33	1022.22	1086.11	1150.00	1213.89	1277.78
24	33.33	666.67	733.33	800.00	866.67	933.33	1000.00	1066.67	1133.33	1200.00	1266.67	1333.33
25	34.72	694.44	763.89	833.33	902.78	972.22	1041.67	1111.11	1180.56	1250.00	1319.44	1388.89
26	36.11	722.22	794.44	866.67	938.89	1011.11	1083.33	1155.55	1227.78	1300.00	1372.22	1444.44
27	37.50	750.00	825.00	900.00	975.00	1050.00	1125.00	1200.00	1275.00	1350.00	1425.00	1500.00
28	38.89	777.78	855.56	933.33	1011.11	1088.89	1166.67	1244.44	1322.22	1400.00	1477.78	1555.55
29	40.28	805.56	886.11	966.67	1047.22	1127.78	1208.33	1288.89	1369.44	1450.00	1530.56	1611.11
30	41.67	833.33	916.67	1000.00	1083.33	1166.67	1250.00	1333.33	1416.67	1500.00	1583.33	1666.67
31	43.06	861.11	947.22	1033.33	1119.44	1205.56	1291.67	1377.78	1463.89	1550.00	1636.11	1722.22
32	44.44	888.89	977.78	1066.67	1155.56	1244.44	1333.33	1422.22	1511.11	1600.00	1688.89	1777.78
33	45.83	916.67	1008.33	1100.00	1191.67	1283.33	1375.00	1466.67	1558.33	1650.00	1741.67	1833.33
34	47.22	944.44	1038.89	1133.33	1227.78	1322.22	1416.67	1511.11	1605.56	1700.00	1794.44	1888.89
35	48.61	972.22	1069.44	1166.67	1263.89	1361.11	1458.33	1555.56	1652.78	1750.00	1847.22	1944.44

OPTIONAL FORMS OF RETIREMENT BENEFITS

The amount of a retiree's monthly benefit will depend upon the benefit option selected. The largest monthly benefit amount is payable for the member's life only under the "Normal Form". If an optional form payable for two life's (A, B, or C) is selected, the amount of the benefit will depend on both the member's age and their beneficiary's age at the time of retirement. A third type of benefit option is a Period Certain & Life, which is an actuarial factor applied to the Normal Form amount (i.e., 10 Year Term 97.40%, 20 Year Term 91.48%).

Under the "Incidental Benefit Rule" IRC §401(a)(9), if the designated beneficiary is not the member's spouse, the benefit options available A, B, or C, may be limited. Please contact the TRS for further information on the options available.

Once a retirement option is elected and the first monthly benefit is received, that option is irrevocable, except in death or divorce where the retired member elected option A, B or C, or if the retired member returns to employment covered by the TRS and earns one full year of service credit. A member who retired under the Normal Form or a Period Certain & Life option may name a new beneficiary at any time. It is important that a careful study is done regarding future financial commitments prior to retirement. The staff at the TRS is available to assist in making the best decision, but will not recommend a choice.

If a TRS member retired after October 1, 1993, and the beneficiary designated at the time of retirement precedes the retiree in death, and the retiree elected an optional form, (A, B, or C), the retirement allowance will return to the full Normal Form amount, plus any GABA increases they may have received. The effective date of the change shall be the first of the month following the beneficiary's date of death. (Ref: §19-20-702, MCA) Within the 18 months following their original beneficiary's date of death, the retired member may name a new beneficiary and select a new option, A, B, or C.

In case of divorce, a retiree is eligible to name a new beneficiary and change to the Normal Form only if the original beneficiary has not been granted the right to be retained or designated as the member's beneficiary as part of the divorce settlement or there is no requirement to retain the Option originally selected at retirement. In addition, if the retired member elected Option A, B, or C at the time of retirement and the designated beneficiary is not granted any right to the TRS benefit, the retired member may, within the 18 months following the divorce of the original beneficiary, name a new beneficiary and select a new Option, A, B or C.

MONTHLY BENEFIT OPTIONS

NORMAL FORM

Life Only Annuity will be payable during the lifetime of the retiree. Upon the death of the retiree, prior to receiving benefits equal to their account balance (employee contributions plus interest) at retirement, the remainder will be refunded to the designated beneficiary.

The member may designate multiple primary beneficiaries under the Normal Form option.

OPTION A

Joint and Full to Beneficiary will be payable during the lifetime of the retiree. Upon the death of the retiree, the designated beneficiary, if living, will continue to receive the same monthly amount during the remainder of his/her lifetime. If the beneficiary precedes the member in death, the member's benefit will return to the Normal Form amount.

OPTION B

Joint and One-Half to Beneficiary will be payable during the lifetime of the retiree. Upon the death of the retiree, the designated beneficiary, if living, will receive one-half ($\frac{1}{2}$) of that benefit during the remainder of his/her lifetime. If the beneficiary precedes the member in death, the member's benefit will return to the Normal Form amount.

OPTION C

Joint and Two-Thirds to Beneficiary will be payable during the lifetime of the retiree. Upon the death of the retiree, the designated beneficiary, if living, will receive two-thirds ($\frac{2}{3}$) of that benefit during the remainder of his/her lifetime. If the beneficiary precedes the member in death, the member's benefit will return to the Normal Form amount.

The member may designate only one primary beneficiary under Options A, B, or C.

PERIOD CERTAIN & LIFE

Benefits will be paid for a certain period of time or for the retiree's lifetime, whichever is greater. The member shall elect either a 10 or 20 year time period. The 10 or 20 year time period begins on the member's retirement effective date. If the member dies within the period selected, benefits will continue to be paid to the designated beneficiary(s) for the remainder of the time period selected.

- To select a 10 Year Certain & Life the member must be less than age 75.
- To select a 20 Year Certain & Life the member must be age 65 or less.

The member may designate multiple primary beneficiaries under the 10 or 20-year option.

TERMINATION PAY OPTIONS

TRS members have two options for increasing their monthly retirement benefit by including termination pay, received at the time of termination and retirement, in the calculation of AFC. Termination pay includes any form of bona fide vacation leave, sick leave, and severance pay, amounts provided under a window or early termination incentive plan, or other payments contingent on the employee terminating employment and are made payable at the time of termination. Termination pay does not include amounts that are not wages and amounts that are payable to a member from a plan for deferral of compensation under Section 457(f) of the IRC. If, at the time of termination and retirement, a member receives any termination pay, the member must select one of the following three options:

OPTION 1

Add the total termination pay amount to the calculation of the member's AFC. The member and their employer(s) must pay the actuarially required contributions as are determined by the TRS Board, to adequately compensate the system for the additional retirement benefit. The contributions must be made at the time of termination and submitted to the TRS by the 15th of the month following the month in which the member terminates their employment.

Termination Pay Cost Calculation - Option 1

Employee cost: Termination Pay x Employee Rate x Total Years of Creditable Service

Employer cost: Termination Pay x Employer Rate x Total Years of Creditable Service

Option 1 - Example: A member at age 59 with 25.00 years of service receiving \$5,000.00 in termination pay could increase their benefit \$57.87 per month under Option 1. The employee and employer(s) cost would be calculated as follows:

$$\frac{\$ 5,000.00}{\text{Termination Pay}} \times \frac{3.41\%}{\text{Employee Rate}} \times \frac{25.00}{\text{Years of Service}} = \frac{\$ 4,262.50}{\text{Employee Cost}}$$

$$\frac{\$ 5,000.00}{\text{Termination Pay}} \times \frac{3.57\%}{\text{Employer Rate}} \times \frac{25.00}{\text{Years of Service}} = \frac{\$ 4,462.50}{\text{Employer Cost}}$$

OPTION 2

Use a yearly amount of termination pay added to each of the three consecutive year's salary used in the calculation of the member's AFC. Termination pay is divided by the member's total number of years of creditable service to determine a yearly amount. The member and their employer(s) shall pay the regular contribution rate on the termination pay. The contributions must be made at the time of termination and submitted to the TRS by the 15th of the month following the month in which the member terminates their employment.

Termination Pay Cost Calculation - Option 2

Employee cost: 7.150% X Termination Pay

Employer cost: 7.470% X Termination Pay

Option 2 - Example: A member who has \$5,000.00 in termination pay and 25.00 years of creditable service could increase their monthly benefit by \$6.94 under Option 2. This calculation is determined by adding \$200.00 to each of the three salaries used in the calculation of the member's AFC ($\$5,000.00 \div 25.00 = \200.00).

$$\frac{\$ 5,000.00}{\text{Termination Pay}} \times \frac{7.150\%}{\text{Employee Rate}} = \frac{\$ 357.50}{\text{Employee Cost}}$$

$$\frac{\$ 5,000.00}{\text{Termination Pay}} \times \frac{7.470\%}{\text{Employer Rate}} = \frac{\$ 373.50}{\text{Employer Cost}}$$

OPTION 3

Exclude the termination pay from the calculation of the member's AFC. No contribution is required of either the member or the employer. Any contributions reported must be refunded.

If a member elects to include their termination pay in the calculation of AFC under Option 1 or Option 2, both the member and the employer pay a share of the full actuarial cost to fund the benefit enhancement. In addition, a member has the option to have employee contributions deducted by their employer(s) from termination pay on a tax-deferred basis. Before a member would be eligible to have employee contributions due on termination pay paid with tax-deferred dollars, the member and their employer(s) must sign the "Termination Pay – Irrevocable Election Form" at least ninety days prior to the member's date of termination (i.e., the last day in the classroom or school). Please visit the TRS web site at <http://www.trs.mt.gov> for the form, and a complete copy of instructions. Signing the "Termination Pay – Irrevocable Election Form" is not a commitment of retirement on a specific date.

Before electing to have tax-deferred contributions deducted from termination pay, members should request an estimate of benefits from the TRS so they may plan for any out of pocket termination pay expense. Members and their employers who fail to sign the irrevocable election form 90 days prior to termination may still elect to include termination pay under either Option 1 or 2 in the calculation of AFC.

A member not wanting to have employee contributions remitted on termination pay made with tax-deferred dollars, or a member that does not execute the "Termination Pay – Irrevocable Election Form", **must** send the TRS a personal check for the total amount of the employee contributions due on termination pay. Contributions are due by the 15th of the month following the member's date of termination. However, Section 415(c) of the IRC limits the amount of contributions that a member may make with after tax dollars; therefore, please contact the TRS for additional information regarding 415(c) limits.

EXAMPLE – REGULAR RETIREMENT CALCULATION WITH TERMINATION PAY

NAME: Joe Member **RETIREMENT DATE:** July 1, 2006
SSN: 123-45-6789 **RETIREMENT TYPE:** Regular

THIS ESTIMATE IS BASED ON THE FOLLOWING DATA:

HIGHEST 3 YEARS SALARY		TERMINATION PAY:	\$5,000.00
2003-04	\$38,000.00		
2004-05	\$39,000.00		
2005-06	\$40,000.00		

MEMBER'S DATE OF BIRTH: 10/15/1947 **CREDITABLE SERVICE YEARS:** 25.00
BENEFICIARY'S DATE OF BIRTH: 08/22/1948

RETIREMENT BENEFITS AND OPTIONS ARE ESTIMATED AS:

RETIREMENT INCOME OPTIONS		TERMINATION PAY OPTIONS		
		OPTION 1	OPTION 2	OPTION 3
Normal	Payable For Member's Life Only	\$1,412.04	\$1,361.11	\$1,354.17
A:	Joint & Full to Beneficiary	\$1,232.71	\$1,188.25	\$1,182.19
B:	Joint & 1/2 to Beneficiary	\$1,316.30	\$1,268.83	\$1,262.36
C:	Joint & 2/3 to Beneficiary	\$1,287.22	\$1,240.79	\$1,234.46
Period Certain & Life				
	10 Year Term	\$1,375.33	\$1,325.72	\$1,318.96
	20 Year Term	\$1,291.73	\$1,245.14	\$1,238.79

THE ABOVE OPTIONS WERE BASED ON THE FOLLOWING DATA:

Terminal Leave Payment	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00
Average Final Compensation	\$40,666.67	\$39,200.00	\$39,000.00
Employee Cost of this Option	\$ 4,262.50	\$ 357.50	N/A
Employer Cost of this Option	\$ 4,462.50	\$ 373.50	N/A
Increase Over "Normal" Benefit	\$ 57.87	\$ 6.94	N/A

REFUNDS

A member who is no longer employed in a position eligible to participate in the TRS may request a refund of their personal contributions, plus interest. Termination of a contract does not automatically qualify a member for a refund. If the member leaves one school district for employment in another district or with the University System, they are **not** eligible for a refund. (Ref: §19-20-603, MCA)

The refund form **must** be requested from the TRS. No refund will be made until all contributions have been received from the member's employer(s). Each employer is required to submit the member's contributions to the TRS by the 15th of the month following the month the wages were paid. After receipt of the properly completed application for withdrawal and the employer's report, the refund will be processed at the next regularly scheduled time.

Payment of a refund may be made in two ways: (1) as a direct rollover of the taxable amount to another eligible plan or IRA, with the balance paid to the member or; (2) the entire account (employee's contributions plus interest) paid directly to the member.

If a member receives a refund, the TRS is required to withhold federal income taxes at a rate of 20% of the taxable portion, to be credited against any federal income taxes owed by the member. The withholding is **mandatory** unless the refund is less than \$200.00.

Form 1099-R will be provided to show how much of the total distribution is subject to federal and Montana state income taxes, and the amount withheld. The refund may also be subject to an additional 10% federal early distribution penalty **unless** it is received after the member attains age 59 1/2, has become disabled, or has died. See the IRS Publication 575 for further information.

If you request a refund of your TRS contributions and interest, you will not be eligible for TRS monthly retirement benefits. In addition, you will not be eligible to redeposit any amounts withdrawn unless you again become an active contributing member of the TRS.

EXEMPTION FROM LEGAL PROCESS

The retirement allowance or any benefits accrued or accruing to any person under the provisions of the TRS and the accumulated contributions, cash, and securities in the various funds of the retirement system are **not** subject to execution, garnishment, attachment by trustee process or otherwise, in law or equity, or any other process; and may not be assigned, except under the limited provisions of a Family Law Order (FLO) or support order. (Ref: §19-20-706, MCA)

FAMILY LAW ORDERS

A FLO may direct that a withdrawal or future benefit payments be distributed as part of a marital property settlement, spousal support, child support or indigent parent support. A court may **not** enter a FLO relating to payments by the retirement system unless the TRS Board has approved terms of the proposed order. A FLO may **not** require a type or form of benefit, option, or payment that is **not** available to the TRS recipient; nor may it require an amount or duration greater than that available to a recipient. In the event of the TRS member's death, prior to retirement, a FLO will be implemented. Please contact the TRS to obtain FLO information or visit our web site at: http://www.trs.mt.gov/family_law_orders.htm.

If the TRS member is eligible and applies for a monthly benefit, only then may any distribution be made to an alternate payee. A FLO may provide for payment of benefits to the alternate payee through the selection of a specific retirement option. A FLO may designate payments to the alternate payee as a fixed dollar amount, a percentage of the amount to be paid, or for a specified period of time.

If the TRS member has terminated their employment, a distribution may also be made to an alternate payee after the TRS member submits a valid application for a withdrawal of their account. If the member elects to withdraw their account balance, the account balance may be divided under a FLO as a percentage of the amount to be paid, or as a fixed dollar amount to the alternate payee.

NOTE: If required, the member and/or the alternate payee must hire an actuary to determine the value of the member's account.

SOCIAL SECURITY COVERAGE

Most public school teachers in Montana have Social Security coverage. Benefits provided by the TRS are independent of, and in addition to, any Social Security benefits a member may be entitled to receive.

The Social Security Administration will provide, upon request, an earnings and benefit estimate statement, which includes estimates of future Social Security benefits. To receive a statement, a member must request Form SSA-7004 from their local Social Security office, or the form can be requested by calling 1-800-772-1213. Benefit information is also available at <http://www.ssa.gov>.

Because the Social Security figures are only estimates based on a "best guess" of future earnings, review and adjust the earnings estimates every few years. This service can also be used to check the accuracy of Social Security records.

SECTION V – POST RETIREMENT INFORMATION

TAXATION OF MONTHLY BENEFITS

The majority of retirement, disability, or survivor benefits will be subject to federal and/or Montana State income taxes. Tax information regarding monthly benefits should be obtained from an attorney, accountant, local IRS office, or the Montana Department of Revenue at 406 444-6900.

NON-TAXABLE PORTION (COST BASIS)

The non-taxable portion of a monthly benefit payment is calculated by dividing the portion of the member's account on which taxes have been paid (cost basis or investment in contract) by the fixed number of anticipated payments. This number is taken from the following table and is based on the Normal Form or Term Certain benefit options and the age of the member at the time of retirement.

Recipient's Age on Retirement Effective Date	Number of Anticipated Payments
Not more than 55	360
More than 55, but not more than 60	310
More than 60, but not more than 65	260
More than 65, but not more than 70	210
More than 70	160

A distinction is drawn between a single life benefit and a benefit payable over more than one lifetime (Options A, B, or C representing joint and survivor benefits). The table, presented below, must be used to establish the number of payments for benefits paid over more than one lifetime.

Combined Ages of Recipients on Retirement Effective Date	Number of Anticipated Payments
Not more than 110	410
More than 110, but not more than 120	360
More than 120, but not more than 130	310
More than 130, but not more than 140	260
More than 140	210

The tax-free portion remains constant even if the amount of a member's monthly benefit increases due to the Guaranteed Annual Benefit Adjustment (GABA). After the contributions on which taxes have been made are recovered by way of monthly exclusions, the full amount of a member's benefit will become taxable.

W-4P – WITHHOLDING OF FEDERAL AND MONTANA STATE INCOME TAXES FROM RETIREMENT BENEFITS

The TRS offers the withholding of federal and Montana state income tax as a service to our benefit recipients. A benefit recipient may choose whether or not to have federal income tax withheld from their monthly TRS benefit by submitting a Form W-4P. The following three withholding options are available:

- (1) Elect no withholding and pay their taxes directly to the IRS. In that case, the benefit recipient should contact the IRS about filing requirements and deadlines; or
- (2) Specify their withholding allowance(s); or
- (3) Specify their withholding allowance(s) plus have an additional amount withheld.

In the event a benefit recipient fails to provide the TRS with Form W-4P, either electing no withholding or giving a different number of allowances, marital status, or an additional amount to be withheld, the TRS is required under the IRS rules to withhold from each monthly benefit payment as if the benefit recipient is married claiming three withholding allowances. A benefit recipient may change their federal withholding option at any time by submitting a new Form W-4P to the TRS.

Montana state income tax may be withheld by submitting a Montana State Withholding Certificate. A benefit recipient may change their withholding option at any time by submitting a new Montana State Withholding Certificate to the TRS. There is no reciprocity agreement between the Montana TRS and other states that would allow the Montana TRS to withhold their income taxes on your behalf.

The Federal and Montana state withholding forms are available on the TRS web site at: <http://www.trs.mt.gov>. **Please direct your questions about taxes to either the IRS or a tax expert. TRS representatives are not qualified to give tax advice.**

WITHHOLDING GROUP INSURANCE PREMIUMS FROM RETIREMENT BENEFITS

A retired member who is a participant in an employer-sponsored group insurance plan may elect to have the monthly premiums withheld from their retirement benefit by contacting the payroll clerk at the place of the member's former employment. The annual tax Form 1099-R will note the total amount of the insurance premiums withheld for that year. This provision does not include individual insurance policies. (Ref: §19-20-1101, MCA)

The TRS has no connection with group insurance plans, but offers the withholding of monthly insurance premiums as a service to our benefit recipients and the member's former employer. All questions concerning coverage must be addressed to the member's former employer.

GUARANTEED ANNUAL BENEFIT ADJUSTMENTS

With payment of the January benefit each year, all benefit recipients who have been receiving benefits for at least 36 months will receive a GABA of 1.5%.

The 2001 Legislature authorized the TRS Board to increase the GABA from 1.5% to 3.0%, as funding is available. However, given the current investment environment, future increases are not anticipated.

CHANGES AFTER RETIREMENT

Future changes to a retiree's home mailing address, federal and/or Montana state income tax withholding amounts, as well as direct deposit changes, **must** be submitted to the TRS, **in writing**, prior to the 15th of the month in which he/she wishes the change(s) to be implemented. A retiree should always keep his/her home mailing address current with the TRS, so that he/she will receive important information and individual tax forms annually. Please contact the TRS for the necessary forms, or visit our web site at <http://www.trs.mt.gov>.

If a retiree is having the TRS withhold a monthly insurance premium and the premium amount needs to be adjusted, the retiree must contact his/her former employer. All premium amount changes must be submitted by the retiree's former employer, **in writing**, prior to the 15th of the month in which the change should occur.

PART-TIME EMPLOYMENT AFTER RETIREMENT EARNINGS

Any retired member may be employed in a part-time position eligible to participate in the TRS, including part-time positions with the university system, and earn without loss of their retirement benefits, an amount not to exceed the greater of: (1) one-third of the sum of the member's AFC, plus annual increases equal to the increase in the consumer price index (CPI); or (2) one-third of the median AFC for members retired during the preceding fiscal year as determined by the TRS Board. These earnings are determined on a fiscal year basis, July 1 through June 30. A "retired member" is defined as a TRS member who has terminated all positions eligible to participate in the TRS, and who has **received** at least one monthly retirement benefit.

Retirees who are employed part-time in a position eligible to participate in the TRS are not required to contribute to the TRS until they exceed the amount they are eligible to earn. However, earnings for retired TRS members working in a part-time teaching position eligible for membership under the TRS must be reported monthly to the TRS for the purpose of tracking earnings after retirement.

Should a TRS retiree sign a full-time contract, their retirement benefits will cease the effective date of the signed, full-time contract. In addition, they will be reinstated to active membership status.

If a TRS retiree is employed part-time and exceeds the maximum amount they are allowed to earn, their monthly retirement benefit will be reduced dollar-for-dollar over the maximum amount they are allowed to earn. The TRS retiree's monthly benefit will be reduced beginning as soon as practical after their employer has reported the excess earnings. The TRS retiree's retirement benefit will be cancelled if their earnings over the maximum allowed exceed the gross monthly benefit amount. The TRS retiree will be reinstated to active membership status and contributions will be due on all earnings that exceed the gross monthly benefit amount.

TRS retirees are only limited in the amount they may earn if employed in a part-time position that is eligible to participate in the TRS. The TRS retired payroll staff will determine the maximum amount a retiree may earn without affecting their monthly benefit. The retired member and their employer must contact the TRS to verify this information. (Ref: §19-20-731, MCA)

If a retiree is reinstated to active membership, all service credited at the time of their retirement will be restored in full to their account. The member will not be required to repay any benefits they have received if the TRS is advised of their re-employment in a timely manner.

If a member is re-employed full-time for at least one year, the member's monthly benefit will be recalculated at the time they terminate and reapply for retirement benefits, based upon the additional service credit earned while an active member. If the member is not re-employed full-time for at least one year, they will be reinstated to retired status with the same benefit and option they were receiving before returning to work.

INDEPENDENT CONTRACTORS

An independent contractor is ineligible for membership in the TRS. The TRS Board shall accept a certification from the Montana Department of Labor and Industry (DLI) as prima facie evidence of independent contractor status. The burden of proof before the TRS Board is on the TRS employer. If the TRS retired member's status as an independent contractor is in question, they must become a member of the TRS. (Ref: §19-20-302, MCA)

Hiring an employee as an independent contractor must be evaluated under the IRS's test of independent contractor status. The IRS has identified twenty factors or elements as indicating whether sufficient control is present to establish an employer-employee relationship. (REV. Ruling 87-41) The degree of importance of each factor varies depending on the occupation and the factual context in which the services are performed. In most cases schools must, of necessity, have the requisite right to direct and control its teachers and administrators as to all significant performance issues: hours, goals, curriculum, and termination, therefore these individuals generally would not meet the test of independent contractor status. Employers should be aware that "labeling" a person an independent contractor is not determinative of that status — control is.

Montana law provides for a civil penalty of \$1,000 for each false statement or misrepresentation made concerning a person's status as an independent contractor. Montana law also prohibits employees from waiving their rights under the workers' compensation and unemployment insurance acts. An employer who avoids these responsibilities may be committing employer misconduct, a felony, punishable by up to 10 years in prison and/or a \$50,000 fine. For more information, please contact the DLI Independent Contractor Central Unit at 406 444-1446.

SECTION VI - QUESTIONS AND ANSWERS

YOUR RETIREMENT ACCOUNT

- (1) MAY A MEMBER BORROW FROM HIS/HER ACCOUNT?

No, the retirement law has no provision for personal loans. An account can be withdrawn only upon termination. Only the full amount may be withdrawn, no partial withdrawals are allowed. (See "Refunds" on Page 39).

- (2) CAN BENEFITS BE GARNISHEED?

No, the retirement law provides that any benefits accrued or accruing are not subject to garnishment, execution, or attachment except as provided for under the limited provisions of a FLO or support order. (Ref: §19-20-706, MCA)

A FLO, however, may direct payment of all or any portion of the benefit paid to a member, or benefit recipient, to an alternate payee. A FLO may not require a type or form of benefit, option, or payment that is not available to the benefit recipient; nor may it require an amount or duration greater than that available to the recipient. Payments cannot be made to an alternate payee until the TRS member submits a valid application for a benefit and the benefit becomes payable. (Ref: §19-20-305, MCA)

- (3) IS ANY PART OF A REFUND TAXABLE FOR FEDERAL INCOME TAX PURPOSES?

Yes, all mandatory monthly contributions reported after July 1985 and all interest refunded to a member are subject to federal income taxes.

SERVICE

- (1) WHAT ADVANTAGES ARE THERE IN TAKING IMMEDIATE STEPS TO OBTAIN CREDIT FOR ALL SERVICE TO WHICH A MEMBER MAY BE ENTITLED?

(1) If previous withdrawals are re-deposited, the service will be applied towards the 5 years of service credit required for vesting. Once a TRS member is vested they become eligible to receive retirement benefits and may be eligible to purchase some types of service, based on his/her previous history.

(2) Additional interest accrues on the unpaid balance each month that the purchase of additional service or redeposit of withdrawals is delayed.

(3) In the event of the TRS member's death, the survivor's benefit will be based on the number of years of service credited to their account at the time of the member's death. If the member dies prior to completing payment for additional service or redeposit of withdrawals, the service represented by the payments received prior to their death will be pro-rated and credited to their account. The member's estate may complete payment and receive full credit for service the member was entitled to purchase.

(4) Retirement benefits are based on total service credited to the member's account. As service increases, benefits increase proportionally.

- (2) CAN A MEMBER RECEIVE CREDIT FOR ACTIVE MILITARY SERVICE?

Yes, vested members can receive free service credit of up to four years for active military duty during the Korean Conflict and the Vietnam Conflict. (See "Military Service" on Page 23)

- (3) WHAT IS THE MAXIMUM AMOUNT OF SERVICE WITH WHICH A MEMBER CAN BE CREDITED?

There is no maximum. A member will receive credit for all years of service for which contributions have been reported and/or purchased.

- (4) ARE THE ADDITIONAL CONTRIBUTIONS, PAID TO THE RETIREMENT SYSTEM FOR THE PURCHASE OF SERVICE, TAX DEFERRED LIKE THE MANDATORY CONTRIBUTIONS?

Yes, if your employer has adopted a resolution allowing the pick-up of tax deferred additional contributions and you have signed an irrevocable election form. (See "Procedure For the Purchase of Service Credit" on Page 20)

AVERAGE FINAL COMPENSATION

- (1) MAY A MEMBER USE ANY OUT-OF-STATE TEACHING SALARY IN DETERMINING AVERAGE FINAL COMPENSATION?

No, only salaries earned in a Montana TRS covered position on which contributions have been received can be used.

- (2) MAY A TRS MEMBER USE MONTANA PERS SALARIES IN DETERMINING FINAL AVERAGE COMPENSATION?

No, only salaries earned in a Montana TRS covered position on which contributions have been received can be used.

- (3) IF A MEMBER IS WORKING ON A PART-TIME BASIS, HOW IS AFC CALCULATED?

To determine the compensation that the member would have earned, the compensation reported must be divided by the part-time service credited to his/her account. (See "Average Final Compensation", on Page 17)

BENEFITS

- (1) ARE BENEFITS PAID AUTOMATICALLY WHEN A MEMBER BECOMES ELIGIBLE?

No, a member must request the proper application forms from the TRS. The completed forms must be returned to the TRS office before a benefit will be paid. (See "Retirement Application Procedure" on Page 29)

- (2) WHEN SHOULD A TRS MEMBER BEGIN RETIREMENT PLANNING?

A member may notify the TRS 3 to 5 years prior to his/her anticipated retirement to request an estimate of benefits.

It is recommended that the TRS member contact the TRS office at least 3 to 6 months prior to their anticipated date of termination to request the appropriate retirement application materials. (See "Retirement Application Procedure" on Page 29)

(3) WHEN WILL A MEMBER RECEIVE THE MONTHLY BENEFIT CHECKS?

Benefit checks are mailed on the last business day of each month for receipt around the first or second of the following month. If a benefit recipient elects direct deposit of their benefits into their bank account, the money will be posted to their account by 5:00 P.M. on the last business day of the month.

(4) MUST A MEMBER DESIGNATE A BENEFICIARY FOR THEIR ACCOUNT?

No, but it is highly recommended. In the absence of a designated beneficiary, any survivor benefit will be payable to the member's estate as a lump sum payout and, as such, may be subject to estate taxes.

(5) SHOULD A BENEFICIARY NOTIFY THE TRS OF AN ACTIVE MEMBER'S DEATH?

Retirement benefits must be claimed within 5 years of the date of the member's death. If the designated beneficiary(s) for the account or the heirs fail to claim and accept the benefits, the member's account balance reverts to the pension trust fund. (Ref: §19-20-503, MCA)

(6) SHOULD A RETIRED MEMBER NOTIFY THE TRS UPON THE DEATH OF THEIR DESIGNATED BENEFICIARY?

Yes, the TRS must be notified immediately of the death, since it may be necessary to stop the monthly benefit or adjust the monthly benefit that is payable in accordance with the option selected at the time of the member's retirement. Any amounts over-paid as a result of a death **must** be returned to the retirement office.

Under the statutes governing the TRS, if the member elected an optional form (A, B or C), the benefit must now convert to the Normal Form option of retirement allowance. This change will be effective the first of the month following receipt of the written application, along with a copy of the death certificate. The retired member may also within 18 months immediately following the date of death change their beneficiary and/or elect one of the optional allowances, A, B, or C.

(7) SHOULD A RETIRED MEMBER NOTIFY THE TRS UPON THE DIVORCE FROM THEIR DESIGNATED BENEFICIARY?

Yes, the TRS must be notified immediately of the divorce. The retired member may also within 18 months immediately following the date of divorce have the option to change their beneficiary and retirement option, if the terms of the divorce decree and/or property settlement do not prohibit such changes.

- (8) SHOULD A BENEFICIARY NOTIFY THE TRS OF A RETIRED MEMBER'S DEATH?

Yes, it is required that the TRS be notified upon the retiree's death, since it may be necessary to stop the monthly benefit or adjust the monthly benefit in accordance with the option selected at the time of retirement. Any amount overpaid **must** be returned to the TRS.

- (9) WILL I RECEIVE A COST OF LIVING ADJUSTMENT AFTER RETIREMENT?

Yes. Adjustments are made in the form of a Guaranteed Annual Benefit Adjustment (GABA), paid each January to all benefit recipients who have received benefits in the last 36 months. The GABA is currently set at 1.5%. (See "Guaranteed Annual Benefit Adjustment", on Page 43)

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